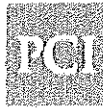




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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

S.B. No. 238 – AN ACT CONCERNING PRIVATE PASSENGER NONFLEET AUTOMOBILE INSURANCE FOR INSURED'S WHO USE MONITORING DEVICES OFFERED BY INSURERS

COMMITTEE ON INSURANCE AND REAL ESTATE

February 26, 2015

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on Senate Bill No. 238, an act concerning private passenger nonfleet automobile insurance for insureds who use monitoring devices offered by insurers. PCI is a national property casualty trade association comprised of over 1,000 member companies. PCI member companies write approximately 46 percent of all personal lines insurance sold in Connecticut.

PCI strongly opposes this bill because it would prohibit insurers from utilizing numerous underwriting and rating factors for private passenger nonfleet auto insurance when the insurer offers a monitoring device that monitors and insured's driving information and an insured uses such devices. Driver monitoring devices, known as telematics, can be an important tool in underwriting and rating auto insurance and encouraging safer driving behavior. They are, however, only one tool which can provide information which may be considered in combination with a number of other factors in order to fairly and accurately price an auto insurance policy. Telematics information augments rather than supplants existing underwriting and rating factors. This bill, by prohibiting the consideration of factors other than telematics information, would prevent insurers from considering the numerous other objective factors which have been found to be predictive of loss and would leave insurers with a very incomplete picture of the risk for which they are trying to underwrite or rate.

There are numerous factors other than telematics information which are necessary for an insurer to consider in order to fairly and accurately price a policy. The territory in which the vehicle will be garaged and principally driven, for example, is one such important factors. One can be the safest driver in the world, but still may be more likely to get in an accident if they are driving in a territory with high traffic density, bad road conditions, dangerous intersections and a higher number of accidents, among other factors. Additionally, if one gets in an accident in certain territories, losses may be higher due to higher health care and auto body repair costs, for example. These issues will

bear on the likelihood of loss and must be considered no matter what data may be provided relative to driver information through a telematics device.

In addition to territory, numerous other factors similarly are predictive of loss and must be considered in accurately underwriting and pricing an auto insurance policy. The type of vehicle insured, for example, is another such factor. Certain vehicles have a much better safety record than other vehicles and this is an important factor to be considered. Under the provisions of this bill, even if a driver was convicted of a serious traffic offense such as an offense related to driving under the influence of alcohol or drugs or reckless driving, insurers would not be able to consider these convictions in underwriting or rating. Obviously, this would not be fair or beneficial.

This bill would prohibit insurers from considering the necessary information to accurately underwrite and rate auto insurance policies. This may lead drivers using these devices to pay too much or too little for their auto insurance, neither of which is a positive outcome, because if drivers pay less premium than they should, then other drivers will be forced to subsidize the premiums of those drivers who are not paying premium in accordance with the risk that they pose. This would be unfair and contrary to the basic principles of fair insurance underwriting and pricing.

For the foregoing reasons, PCI urges your Committee NOT to advance this bill.